

Message Text

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PAGE 01 STATE 138921
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FM SECSTATE WASHDC
TO AMEMBASSY BRUSSELS
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY BONN
AMEMBASSY ROME
AMEMBASSY TOKYO
AMEMBASSY THE HAGUE
AMEMBASSY STOCKHOLM
AMEMBASSY LONDON
INFO AMEMBASSY ISLAMABAD

UNCLAS STATE 138921

E.O. 11652:N/A

TAGS: EFIN, PK

SUBJECT: INTERPRETING THE 1976 MULTILATERAL DEBT RELIEF
AGREEMENT FOR PAKISTAN

1. A LEGAL QUESTION HAS ARISEN REGARDING IMPLEMENTATION OF
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PAGE 02 STATE 138921

THE JUNE 28, 1974 MEMORANDUM OF UNDERSTANDING ON DEBT
RELIEF FOR PAKISTAN. THE MEMORANDUM WAS SIGNED BY PAKISTAN
AND THE IBRD ACTING ON BEHALF OF THE CREDITOR COUNTRIES
OF THE PAKISTAN CONSORTIUM. PARAGRAPH 3B OF THE UNDER-
STANDING STATES, INTER ALIA, THAT:

". . . EACH PARTICIPATING COUNTRY WILL PROVIDE DEBT

RELIEF EQUIVALENT TO THE PERCENTAGES SHOWN BELOW OF THE
DEBT SERVICE DUE TO IT ON EXTERNAL PUBLIC AND PUBLICLY
GUARANTEED CIVIL DEBT WITH AN ORIGINAL MATURITY OF MORE
THAN ONE YEAR, INCURRED BY PAKISTAN PRIOR TO JULY 1, 1973
..."

THE POINT IN QUESTION RELATES TO THE MEANING OF "EXTERNAL
PUBLIC AND PUBLICLY GUARANTEED CIVIL DEBT." SPECIFICALLY,
THERE IS THE QUESTION OF WHETHER THE EXTERNAL DEBT TO BE
USED AS THE DATA BASE FOR THE CALCULATION OF RELIEF SHARES

IS TO BE VIEWED AS "PUBLIC" FROM THE CREDITOR'S POINT
OF VIEW, OR FROM PAKISTAN'S.

2. THE UNITED STATES HAS INCLUDED IN OUR DATA BASE
DEBT SERVICE RELATED EITHER TO USG DIRECT LOANS OR TO
LOANS GUARANTEED BY THE USG. PAKISTAN HAS NOW REQUESTED
THAT THE DATA BASE ALSO INCLUDE ALL LOANS FROM US SOURCES
GUARANTEED BY PAKISTAN GOVERNMENT REGARDLESS OF WHETHER
THEY HAVE A USG GUARANTEE. BEFORE REPLYING TO THE GOP,
WE WOULD BE INTERESTED TO KNOW IF A SIMILAR PROBLEM HAS
ARISEN WITH OTHER CREDITOR COUNTRIES PARTICIPATING IN
THE AGREEMENT.

3. REQUEST YOU CONTACT APPROPRIATE HOST GOVERNMENT
OFFICIALS TO DETERMINE:
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PAGE 03 STATE 138921

(A) IF THERE WAS ANY EXTERNAL DEBT GUARANTEED BY PAKISTAN
BUT NOT BY THE CREDITOR GOVERNMENT OUTSTANDING AT THE
TIME OF THE 6/28/74 AGREEMENT AND
(B) IF SO, WAS IT INCLUDED IN THE DATA BASE FROM WHICH
THE AMOUNT OF DEBT RELIEF WAS COMPUTED?

NOTE: THE QUESTION IS NOT WHETHER NON-GUARANTEED (FROM
A CREDITOR STANDPOINT) DEBT WAS TO BE RESCHEDULED
(IT CLEARLY WAS NOT) BUT WHETHER SUCH DEBT SERVICE ONLY
GUARANTEED BY PAKISTAN WAS TO BE INCLUDED IN THE DATA BASE
FROM WHICH RELIEF SHARES WERE TO BE CALCULATED. VANCE

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